

MINUTES

BUDGET COMMITTEE MEETING MARCH 31, 2004

Budget Committee Chair David Aschenbrenner called the meeting to order at 6:00 p.m. in the Public Safety Building Community Meeting Room.

Peter Koonce and Art Ball were interviewed for reappointment to the Budget Committee. Mayor Bernard will make the official appointments at the next regular City Council meeting.

Budget Committee members present: Art Ball, Deborah Barnes, James Bernard, Peter Koonce, Larry Lancaster, Joe Loomis, Jean Michel, and Leslie Schockner.

Aschenbrenner welcomed Leslie Schockner, newly appointed Committee member.

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It was moved by Bernard and seconded by Barnes to approve the Budget Committee minutes of March 31, April 2, April 7, and April 28, 2003. Motion passed unanimously among the members present.

Revenue Review

Budget Officer Mike Swanson briefly discussed the three most important revenues to the City. The first is property taxes based on the City's permanent rate of \$6.5379/\$1,000 assessed value. Increases over the past several years have been modest occasioned by the fact there is a property tax limitation. Further, the increase in value from new construction and redevelopment is also modest. This problem has been evident over the past couple of years as the City tries to construct its general fund budget. The City will never go bankrupt because revenues will continue. Over time, however, those revenues will erode because costs are exceeding the City's ability to maintain services. In five to seven years, the City may see a general fund that sustains only one or two services. The solution is development and redevelopment.

Swanson discussed the second revenue source – the state gas tax. This year he predicted an emerging problem in some of the public works department funds, and the road fund is one of them. This revenue is the amount of tax on gasoline that is shared among Oregon cities. Although it is constitutionally protected, there are trends. Cars are getting smaller, and people are taking vacations that involve less driving. The effect is an erosion of the major source of income in the state gas tax fund. A lot of people ask about the street repair program. Milwaukie does not do a lot of major overlays because it cannot put together

enough money to do so. It happens, but the street department has to be very careful with its limited funds.

The third major revenue is Library funding from Clackamas County. Over the past 15 years, Clackamas County shared its revenues with the cities through the County Network. The passage of Measures 47 and 50 folded those special revenues into the County's general fund in 1998. Since then, the County has been sharing what is estimated as an equivalent of what the library levy would have been had it continued. The County itself is in serious financial shape, and there were layoffs after the last levy defeat. The County will hold a special library levy in November 2004, and it is still designating a portion of its general fund, although a lesser amount, that will be there for libraries whether the levy succeeds or fails. If the levy fails, there will be a drastic drop in the amount of money the County shares with cities. He recalled about a \$400,000 reduction if the levy does not succeed effective FY 2005 – 2006. This levy needs to pass to realize the amount the City is receiving now.

Assessed value is the key to survival. Not so long ago, cities operated on a tax base, which is a fixed amount of money. There was an allowable increase of up to 6% annually that entities could collect. The value was divided into the amount of the tax base. Measures 47 and 50 changed all that. We now have essentially a rate-based system. The amount of each entity's permanent rate was set after 47/50. Milwaukie's rate, which the City is allowed to levy annually, was set at \$6.5379. That is applied against the value. So as the value increases, the receipts increase. In the past the only way to increase receipts was to go out for special levies. This can still be done, but if an entity is able to increase its value, then it can increase its receipts. The picture he sees in terms of revenues in Milwaukie is static over time. He noted jumps in several revenue sources, but they have not remained constant.

The City has done a number of things to reduce staffing. 7.5 dispatchers were transferred as part of the consolidation to Lake Oswego. Between FY 2002 – 2003 and FY 2003 – 2004, there has been a decline of about 18 positions. All of these were not employee transfers. Most of those were cuts in staff to balance the budget.

The documents before the Committee are not balanced, and he discussed collective bargaining agreements being negotiated. The Committee will see salaries that indicate only step increases. Workers compensation in each case has increased drastically. There is a new line item in each budget for computer replacement to keep the City's engine running to ensure there are reserves when needed.

Mayor Bernard asked about the Qwest funds that have been set aside and status of the lawsuit.

Swanson said the Qwest funds are in the general fund intergovernmental account and have been reserved as contingency. Qwest and the City of Portland

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along with other jurisdictions were involved in a lawsuit in federal court. Qwest was withholding franchise fees from cities. When it lost in trial court, Qwest wrote checks to all the entities and promised to pay franchise fees in the future. Qwest also appealed the trial court decision to the US Court of Appeals. Swanson said there is currently about \$630,000 in the contingency fund. It was tempting to use that Qwest money to solve budget problems, but until the Court of Appeals makes its decision, he believes it is more prudent to hold the money in a reserve fund. If Qwest loses its appeal, he would caution against using those funds for operations.

There is also another account for PERS. The City is also reserving those savings from the legislature's action, and in the event the Supreme Court rules the legislature was correct, those funds will still be available. On the other hand, if the court rules the legislature was somehow mistaken in whole or in part, the City will be able to fund that cost. There are no dates scheduled for the Court decision.

Mayor Bernard understood some cities are actually using these funds.

Ball asked how much was being saved by moving emergency dispatch to Lake Oswego.

Swanson said by comparing last year's budget, he believes about \$200,000 was freed up for other expenditures.

Lancaster asked where the reserve funds are being parked and the rate of return.

Swanson said the reserve funds are in the state pool with about a 1.2% rate of return.

Lancaster asked if there were any options.

Smith said the City is limited by the investment policies, and most savings institutions are paying about the same rate.

Koonce asked what percentage of the budget is staff.

Swanson said he would get that information for the next meeting, but it is the bulk of the budget.

Koonce was thinking of it in terms of what the City may be facing in negotiations.

Swanson said labor/management does not approach negotiations as adversaries. The represented employees have contributed to thinning down the organization over the past couple of years. He added the City is in a better position this year.

Mayor Bernard said last year AFSCME brought forward some suggestions to reduce expenditures and asked for a report card.

FY 2004 - 2005 Departmental Budget Presentations

General Fund (110)

Community Services (214)

Community Services Director JoAnn Herrigel summarized the departmental budgets for which she was responsible. Community Services was created last fall by combining program services and neighborhood services. Responsibilities of the new department are: neighborhood services, grants, event permitting, public information and outreach, public and government cable access programs, solid waste and recycling, parks, franchises, and code compliance.

Herrigel reviewed the five budgets involved with these specific areas. The first was community services, which has three full-time employees. The major accomplishments of the past year were: completing the centennial event, coordinating event permits, hosting the student business leadership team, coordinating the neighborhood grant program for all seven Milwaukie neighborhoods, representing the department at transit center relocation team meetings, producing *The Pilot* on a reduced budget, producing most of the centennial posters and press releases, producing brochures and flyers for City department events and programs, supervising the hiring of a new public access studio operator on a reduced budget, staffing the public access board, coordinating the video bulletin board on the government channel, producing outreach materials for the transit center open houses, beginning negotiations for garbage hauler franchises, supporting the 19th annual Down to Earth Day, completing land use procedures for Homewood Park and obtaining \$10,000 for path installation at that park, identifying funds for building sidewalks and half-street improvements, adopting a Spring Park Master Plan, monitoring franchises for Comcast and other utilities within the City of Milwaukie, coordinating activities of the Riverfront Board and the Park and Recreation Board, and representing the City on the Trolley Trail and 3-Bridges Projects.

Herrigel reviewed the professional services line item amount of \$45,000 for the contract with Metropolitan Area Communications Commission (MACC) to administer the City's Comcast franchise. In contractual services there is \$30,100 of which \$14,000 goes to the 3-Bridges Project, the final segment of the Springwater Trail that goes over the railroad, McLoughlin Boulevard, and Johnson Creek. There is also \$2,500 for mediation services with Clackamas County. Community Services is splitting the cost of correction crew services with facilities in the amount of \$3,250. She added an additional \$10,000 for unanticipated needs for parks, surveys, facilitations, and other similar projects that may come up during the year.

The advertising and publicity line item was \$73,000 of which \$52,000 is for printing *The Pilot*, \$18,000 for other brochures and flyers needed over the course of the year, and \$3,000 for *Trash Talk*, which is distributed by the County. There is also \$5,000 for Down-to-Earth Day and \$500 for miscellaneous meetings. Vehicle usage doubled since last year because the departments were combined.

Herrigel announced the 19th Annual Down-to-Earth Day 2004 on May 1. Construction on the 3-Bridges Project will begin the end of 2005.

Code Compliance (215)

Herrigel said this department is responsible for neighborhood preservation and coordinating code enforcement activities between City departments. Major accomplishments include implementing the use of inmate crews for abatement projects, coordinating two code compliance workshops, preparing ordinances amending the code, and coordinating with Clackamas County Social Services and Oregon Department of Human Services Housing and Child Welfare on referrals. The abatement fund was increased by about \$2,000 and \$12,000 was included to install laptops in the departmental vehicles to increase safety and effectiveness of personnel in the field.

Barnes commented on the idea of maximizing City revenues by increasing fines for chronic nuisances properties. She believed this would be a Council policy decision.

Koonce asked if the department used two cars full time, and **Herrigel** responded that it did.

Public Access Studio (237)

Herrigel said this is the public studio that any person who lives and works in the City may access. The City currently contracts with Willamette Falls to run the facility on Lake Road. Last year the Cable Access Board recommended a reduction in the operating budget. Grady Wheeler has taken over staffing responsibilities for the Committee. There was a mailing to all studio users to let them know about the new operator and the process for continuing use of the studio. Efforts are going into increased advertising of the facility through public service announcements.

In contractual services there was \$30,000 for Willamette Falls to operate the studio and \$24,000 from PEG funds paid by each Comcast subscriber to use for capital projects. That \$24,000 is specifically being used for a managed network provided by Comcast that allows for data transfer between City facilities. In essence, only \$41,000 from the contractual services line item is from the general fund.

Capital projects is budgeted at \$38,000 which is PEG funds and do not come from the general fund. Funds will be used to replace equipment in the access studio and government channel. She has two proposals for technology that could replace the City Hall broadcasting equipment.

Aschenbrenner understood PEG funds were dedicated to capital projects and nothing else.

Neighborhood Grants (211)

Herrigel said this fund has no FTEs associated with it. It has an allocation for each of the seven neighborhood associations including carryover from the previous years. The program began in 1996 to assist neighborhoods with improvement projects, and it leverages many hours of volunteer participation. Each neighborhood association grant fund is proposed at \$5,000. Originally this grant program was set up for \$1,000 each year to a maximum of \$10,000, and it got up to \$8,000 last year. These funds can be used for physical improvements, preservation efforts, organizational development, and social/capital investment.

Major accomplishments included a picnic table and benches for Spring Park, Ardenwald reading program and the new Arts Academy Program, Scott Park Concert series, Ardenwald Historic Homes Tour during the Centennial, and assistance programs for underprivileged children at Milwaukie Elementary School. She provided a list of projects proposed for the upcoming year.

Ball asked if there would be funding for social services.

Herrigel said the social services grant category was eliminated last year, so applicants must go through the neighborhood associations. Funds would come out of the \$5,000 allocated for each association. She noted some discrepancies in the neighborhood grant amounts that needed to be corrected.

Parks Land Purchase (270)

Herrigel said this is the fund for Milwaukie parks projects. In 1998, Milwaukie received over \$300,000 in Metro Local Share funds as part of the Greenspaces bond measure. There is a remaining balance of \$10,000, which has been earmarked for the Homewood Park path. These funds should be used by January 2005. She discussed the process of reimbursement from Metro for these projects. It is possible Milwaukie will get an additional \$14,000 for its riverfront project.

Police Administration (311)

Police Chief Larry Kanzler said the three functional areas of the department were administration, field services, and support. For each area he outlined the goals and objectives, identified successes and shortcomings, and outlined the benefits of next year's budget package.

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One of the goals of the current year's budget was to transition emergency dispatch services to Lake Oswego. That process is 100% implemented, and the personnel associated with that transition are employed by the City of Lake Oswego. Installation of the mobile data terminals (MDT) in Milwaukie police cars will likely be complete by July 2004. MDTs were installed in 10 patrol units with an additional 4 units added this year. Access to the regional data site is scheduled fall 2004, and the associated costs are included in this year's departmental budget. The department implemented a tactical equipment deployment plan that provides mission critical equipment to be deployed in two supervisor vehicles.

The department implemented traffic enforcement through routine traffic monitoring equipment. Although it was eliminated from last year's budget, the citation assessment fees generated enough money this year to purchase \$11,000 in equipment to move the program forward.

The department actively pursued community-oriented policing, and the City saw a 7% crime reduction over the past 12 months. While Milwaukie's Part 1 crimes – murder, robbery, burglary, arson, etc. – went down, Portland's went up by 12%. This is a significant crime reduction for Milwaukie and improves the quality of life in the community. Part II crimes – identity theft, forgery, embezzlement, fraud, sex offenses, stolen property, vandalism, and simple assault – rose 15% in Milwaukie during 2003. Kanzler believed part of this was a result of countywide reductions in support and social services.

The implementation of a crime prevention program was limited to developing crime analysis response maps and identification of problematic areas. Financial constraints did not allow the department to go beyond these basic functions.

The department was not able to accomplish its goal of 100% staffing because of resignations and other personnel actions. The department was operating at a ratio of 1.12:1000. The national average of officers to population is 2.0:1000. Oregon suffers the lowest ratio of any state in the country.

Kanzler discussed the cadet reserve program that operates as a recruitment base for future police applicants. 80% of the reserve officers leaving Milwaukie's program are hired as full-time officers. Currently two reserves qualified at the top of Milwaukie's hiring process out of a field of more than 180 applicants competing for two current openings.

He discussed the 2004-2005 goals in administration: completing the department's manual that defines policy and outlines procedures and conduct based on organizational values; continuing to develop approaches to reduce crime and fear of crime through regional efforts, continuing to develop collaborative training with adjacent agencies in the educational system, maintaining staffing to implement community policing to further reduce Part I crimes in Milwaukie, and continuing to identify the benefits of creating public

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safety service districts to equalize costs throughout the County and provide stable law enforcement funding.

The goals of field services were maintaining staffing, implementing community policing, and completing the MDT implementation. Because of the expense, the implementation was phased. It is also the goal of the department to achieve agency professional accreditation that reduces liability and is designed the best possible training for officers.

The department wants to implement photo radar enforcement and a speed awareness program. Traffic and speeding complaints continue in the community. Photo radar has proven to be an effective way to change driving habits. It is considered to be a revenue neutral program, and fines will pay for the cost of officers and equipment. He discussed the legislative process that would allow Milwaukie to implement the program. Field services is requesting an additional traffic enforcement motorcycle officer as a primary response to the community.

The goal of the support services was implementing a bar coding inventory management system. Previous attempts last year to partner with Clackamas County proved unsuccessful, and the current manual system is very time consuming. Accountability is critical for prosecution of criminals and return of property to victims. Electronic storage of police records is also one of the departmental goals. The current paper storage system will reach capacity in November 2004, and the department will be forced to lease storage space to house paper.

These funds are dependent on staff to achieve the benefits of reducing crime through community policing. The department is currently operating at pre-1999 staffing levels. Crime and service demands on staff have increased. To be effectively staffed, seven additional positions would have to be funded, but fiscal issues make that impossible. He requested the addition of one traffic officer to handle some of the complaint load in the neighborhoods and the purchase of a bar coding system to add support service efficiencies.

The City will see about \$175,000 returned to general fund as a result of contracting with the City of Lake Oswego for emergency dispatch. He reviewed the spike in the amount of contract services because of this change and discussed consolidation of contract costs.

Aschenbrenner thanked the chief and staff for their hard work as shown through the crime statistics. He brought up the issue of having officers at neighborhood meetings.

Loomis asked Kanzler to keep them informed of when the photo radar issue comes before the legislature.

Kanzler discussed hiring retired officers to man the photo radar units. The lobbyist is fairly certain this issue will be considered by the legislature in June and will pass.

Lancaster understood all patrol cars would have MDTs this year.

Kanzler said that was correct; the units are in and ready for full deployment by this summer. The department is phasing in the installation because of the expense.

Lancaster understood the current level of coverage is about 1.2 officers per thousand.

Kanzler said as a result of personnel actions, the ratio is a little less than that. The hiring process and learning curve is almost two years. The Oregon ratio is 1.5:1,000, and the national average is 3:1,000.

Lancaster believed there is nothing left to cut and thanked Kanzler for the extraordinary job he has done on limited resources.

Schockner asked if the public safety service district was likely to be implemented countywide this fiscal year.

Kanzler doubted it. He proposed and campaigned for this project for over a year, and he hopes for countywide support. The district would reduce the tax burden on city residents and shift it to unincorporated. Overall, costs would be equalized countywide. Governance would be by virtue of a board much like the fire district. The basic structure would be a ratio of 1.5 officers per 1,000. Implementation would also supply funding to jails, courts, and the entire public safety delivery package. Costs would be identified and broken out based on property value and become the taxing standard.

Schockner understood in terms of equalization of costs that it would not result in fewer funds for Milwaukie because costs would be spread to more rural areas of Clackamas County.

Kanzler said Milwaukie would end up with a greater officer per thousand ratio. The sheriff believes there are rural areas that could operate with less. The proposal would also include county corrections personnel.

Schockner asked how the general fund budget would be impacted if it were to occur and Milwaukie got additional funds for 1.5 officers per thousand. Would it be an offset?

Kanzler said the goal would be a reduction of the City's general fund to free up revenues to go elsewhere in the City. It would roughly reduce the City's tax burden by about \$2 per thousand.

Schockner understood City taxes would go to the county at the same level, and the City would get more than that back.

Kanzler said, as a net result, that is correct.

Koonce understood under that model the rates would be changed, and Milwaukie would be tied to the county service level.

Kanzler said the model would provide a minimum service level, and any programs could be augmented by adding City funds. The district board in this model could vote on service enhancements.

Schockner asked if the amount the City gave to the district would go up based the amount or the rate.

Kanzler said it would be based on the rate, which would be limited. If value were to go up, Milwaukie would get its share of that. The service area is proposed to be Milwaukie's urban growth boundary. He discussed the criminal element that invades the City's boundary and affects City residents.

Barnes was concerned that in the transition to Lake Oswego some dispatchers were not familiar with Milwaukie. She asked how that would be remedied.

Kanzler said it is a learning process, and there is some competition in Lake Oswego to be on the Milwaukie net because of the activity level. As these dispatchers do ride alongs and become more accustomed to Milwaukie streets, they will become better at what they do. He discussed dispatch center operations.

Barnes asked about the \$96,000 from TriMet. Will there actually be an officer in downtown Milwaukie?

Kanzler said many years ago the City agreed to provide an officer to help coordinate TriMet police services in Milwaukie. TriMet provides funding for that officer. When there is an emergency, the Milwaukie officer acts as a conduit to get resources redeployed to Milwaukie.

Barnes asked if Milwaukie could lobby to get officers more often. Kanzler had talked about the crime taking place around that transit center, and Barnes thought TriMet should take more responsibility for policing its own busses.

Kanzler said TriMet has about 32 – 33 people over a three-county area, so it is sorely understaffed for the job it has to do. TriMet police respond when there is a call, but that is not sustainable. It is important for him to be involved in planning for the transit center relocation to assure any design plan is created for safety.

Barnes understood there was no response from North Clackamas School District #12 on whether it would help fund the junior high resource officer.

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Kanzler understood the School District would not pay this year and discussed departmental understaffing.

Fire Operations (411)

City Manager Mike Swanson said fire operations are provided contractually by Clackamas County Fire District #1 (CCFD#1). He provided the Committee with a copy of the District's strategic plan. In 1998, the City did have its own department and determined there would be a cost savings by contracting with the District. Twenty-four Milwaukie Fire Department employees were transferred to the District. The current contract, which expires in 2008, provides that the fee is negotiated annually. One portion of the contract with which he is not pleased is that the City is charged for facilities occupancy charges.

Three stations serve Milwaukie: the Milwaukie Public Safety Building, Westwood/Lake Road, and Oak Lodge. The important issue over this next year will be a measure on the September 2004 ballot asking voters to determine if the City should annex to the District. Over the years, the contract fee the City pays the District is almost equal to the District's permanent rate of \$2.4012/\$1,000. The benefits of annexing would be a long-term relationship. The other issue is that the District is governed by its own elected Board, and at this time no one living in the City of Milwaukie is eligible to run for a position. The District does consult with Milwaukie, but he believes it is advisable to formalize the relationship. Annexation would impose the District's permanent rate of \$2.4012 on Milwaukie taxpayers, and Swanson will recommend this Council commit to not levying that amount which the District would levy. His goal for the foreseeable future is to make this a revenue neutral action. At some point in time, the City could in fact raise revenue by capturing that \$2.4012. He believed there were compelling arguments for annexation to the District. The political problems would have to be dealt with by future Councils and future city managers. Many of the Milwaukie fire department employees who transferred to the District have gone on to be officers and been successful with the District.

Koonce asked if the \$2.4012 was equivalent to what the City is being charged now.

Swanson said he believes the facility occupancy charges increase it above that amount. The difficulty is that the \$2.4012 against the projected valuation is \$3,020,696. However, he then applies a factor of .93 to that to accounted for the 7% uncollected. This reduces the revenue to \$2,809,247, and then a factor must be added back in for collection of past year's taxes that are not equal to the 7% lost. There are a number of variables, but it is nearly equivalent. If the City does annex, the District would have to negotiate a lease payment for the building because of the debt service. There will still be a budget item reflecting the City's costs for maintaining the building, but there would also be an offsetting revenue. The county tax assessor processes the liens on uncollected taxes for about 12 districts.

Municipal Court (721)

City Recorder Pat DuVal and **Court Clerk Sandy Rivers** briefly reviewed the budget that included \$18,000 in professional services for the municipal court judge contract and \$3,500 in contractual services for judge pro-tem and interpreter services. The amount for collection services has doubled because as a result of the court staff's aggressively resuspending licenses. The 1,500 licenses that have been suspended include not only Milwaukie residents but also pass through. DuVal discussed the request for proposals for collection services that will allow implementation of HB 2055 and the reduction in collection fees. Metro Area Collections is currently charging the City 50%, and Valley Credit is charging 12%.

Lancaster noted at one point there was a possibility of implementing a misdemeanor court and asked the status of that.

DuVal replied it is a future goal.

Koonce asked if photo radar would be revenue neutral, and **Kanzler** said that it would be.

Rivers discussed departmental strides over the past ten years. She reviewed the accomplishments: developing court website, creating a resuspension tracking system on unpaid accounts, holding down interpreter costs, transferring most open account from Springbrook to InCode, purging old records from system in accordance with state retention schedule, and processing delinquent accounts to collections within 60 days.

In response to questions from Koonce regarding e-commerce, Swanson summarized advances in the City's automated systems and the website. E-commerce will be implemented when adequate securities are in place.

Intergovernmental/Interfund (799)

Swanson said this is a catchall for a variety of services. It includes the amount budgeted for economic development in professional services; a \$35,000 transfer to neighborhood services for the grant program; \$65,000 for the McLoughlin Boulevard Project and contribution toward purchasing a couple of McLoughlin Boulevard properties; a \$710,000 transfer from the general fund to the library; \$56,000 transfer to North Main Property debt service; and annual transfer of \$121,560 to the water fund to repay the riverfront property purchase loan.

Swanson pointed out the contingency was \$1 million. During these times of fiscal uncertainty, he is amazed some cities have reduced contingencies. Prudent fiscal management requires the City to reserve a reasonable amount of money in the event of an emergency. This fund also houses the Qwest and PERS contingency which he discussed earlier.

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Administrative Services (150)

Swanson discussed the genesis of the administrative services fund a number of years ago, which is assessed on the number of FTEs which cause administration. This is a simple and defensible methodology for assessing administrative costs.

Schockner asked if there has been a change in the number of FTEs due to the use of contractual service that would change that rationale.

Swanson said probably not because it is a defensible methodology. The City could have a study done, but the problem would be keeping it updated. Departments perceive this as a fair way of allocating costs.

Lancaster asked if a case could be made for a discount based on scale of economy after a certain number of employees.

Swanson said giving a quantity discount would be a pretty fancy allocation method. This method is easy. The administrative services budget is divided by the number of FTEs, and each FTE is worth a certain number of dollars.

City Council (111)

Swanson said contractual services is the amount budgeted for videotaping of City Council meetings and other special events. Travel food and lodging is the line item used for meals and attendance at such events as the annual League of Oregon Cities Conference. Each Council position has \$1,000 for education and training. Fees and licenses is the Council stipend amount. Council agendas are produced electronically as much as possible, but there is still a significant cost for photocopying.

Barnes did not believe a majority of City Council used the City laptops and suggested members use their own rather than relying on the City. The funds could be used elsewhere. Since the City is getting into the economic development mode, she suggested a line item for these specific types of efforts.

Koonce supported Barnes's suggestion.

City Manager (211)

Swanson discussed his reliance on departments to carry out accomplishments. JoAnn Herrigel took on the task of renewing franchises. Three years ago he got a call from a gentleman complaining about the trucks parked on Railroad Avenue, and Steve Campbell, Larry Kanzler, and Alice Rouyer took care of the problems. Jason Wachs and Grady Wheeler picked up the Centennial events on behalf of the City. The building department has gotten complements on its work with the public. The police chief agreed to have a "cash box" so officers can help

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those people they encounter to meet some basic needs. Pat DuVal, Esther Gartner, and Steve Smith took on the task of implementing a citywide integrated software system. The planning department is making things happen, like the King Road development, with only three planners. He believes Milwaukie has some of the best employee relations in the state thanks to Mary Rowe. Joe Sandfort helped a vendor find a sale in which she wanted to participate. The moral of the story is that these people and those who work for them are accomplishing a lot. This is the best group of people he has worked with during his 30-year career.

He discussed the professional services line item in the amount of \$50,000. Typically it is not spent, but a couple of years ago he was able to do a series of groundwater studies that eventually lead to the City's lawsuit against Stanley and Ingersoll Rand for contaminating the municipal wells. This fund gives the City the ability to handle things mid-year.

City Attorney (221)

Swanson said Milwaukie contracts with Ramis, et al., and Gary Firestone does most of the work for the City. He has been consistent in the amount budgeted and hopes the expenses will come in under that amount. As of February, the City spent \$57,000 in the 2003 – 2004 budget. There is an additional amount in the water fund budget for the contamination lawsuit as well as a small amount in human resources.

Schockner asked if this year's expenditure would be similar to FY 2002 – 2003.

Swanson said it probably will be less as he does not see anything big coming up, but there can always be unforeseen events. He is conscious of potential problems and feels it is important to have the resource available. Staff has always been conservative in its use of attorney time. The advice has been impeccable, and Swanson believes the money is well spent.

Human Resources (231)

Human Resources Director Mary Rowe said the Human Resources department is responsible for benefit administration, classification reviews, compensation analyses, recruitment and selection, employment relations, and workers compensation claims.

She counts the department's success as being able to settle issues without going to arbitration. She discussed recruitment and selection over the past year and transition to the new integrated software system. She published an annual training calendar that offered 50 classes to employees some of which are on City policies and procedures. There were also professional development classes such as presentation skills and writing. Class specifications, some of which date back to the 1980's, are being updated. The occupational medical provider was changed to Providence, and the City is partnering with the mediation consortium

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Shared Neutrals at no cost. The major departmental accomplishment was finishing the administrative policies and procedures many of which were personnel related with Pat DuVal and Steve Smith assisting with administrative and financial procedures. The City got a wellness grant, so that program is being launched. With help from the Esther Gartner and IT department, jobs are currently being posted on the City website.

Goals for upcoming year are successfully negotiating contracts with AFSME and MPEA, monitoring health care costs, letting a request for proposals for workers compensation, publishing an annual training calendar, continuing employee development, providing supervisory training, and re-writing class specifications.

General Government (712)

Swanson said this fund covers miscellaneous charges such as credit card fees and service for lien searches. He discussed the low-income sewer and water discounts and the proposed ordinance that will shift the responsibility from the general fund to the utility funds. This action will not change the low-income discount program. He reviewed the insurance premium increases.

Finance

Finance Director Steve Smith discussed the web-based lien searches that increased revenues and reduced staff time. The City has now converted to GASB 34 that ensures that the entire infrastructure is inventoried and given a dollar amount in compliance with federal regulations. Smith provided training to all supervisors and managers on the InCode budget system. The employee responsible for business licensing worked with code compliance to ensure that all businesses in Milwaukie had current licenses. This resulted in a 10% revenue increase. Payroll was one of the first in Oregon to successfully complete the new PERS web-based reporting. Utility billing implemented an auto pay system that is a direct withdrawal from a customer's account to pay a utility bill. There are over 160 customers per month using this service.

The professional services line item is \$30,900 and pays for the outside audit service. The \$15,000 in office supplies is for publication of the annual budget and comprehensive annual financial report.

Records and Information Management (812)

City Recorder Pat DuVal said the major accomplishment was implementing the remaining software modules, providing ongoing quality service, and continuing work on website development to both reduce expenses and keep the public informed. She noted Barb Kwapich's work on the City's risk management program and the Safety Committee. Mandated areas of this department are oversight of the public meetings and public records laws, general public contract administration, local elections, governmental standards and practices, and the safety committee. The department will continue to enhance the document

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imaging system and assist the police department in its own document imaging system implementation as a records management tool.

She briefly reviewed the elements of the budget that included contractual services for the annual code supplements and upgrades to the document imaging system. The proposed budget included an increase in the travel, food, and lodging line item that would continue to allow attendance at important conferences for court clerks, city recorders, and risk managers. There was also an increase in office supplies to allow for more activity in the risk management area. DuVal discussed the office supply line item that included a small amount for consumables and a relatively large amount for citywide postage and UPS expenses.

Ball noted an increase in facility usage, and **Swanson** indicated that will be discussed by Kelly Somers when he presents the facilities budget.

Information & Technology (813)

Information System Technology Manager Esther Gartner explained this department handles all the data, networking, computers, servers, telephones, and GIS. This year's budget combines two areas – telephones and IT.

This was a busy year for IST in helping all departments maintain their current levels of service and endeavoring to make them more efficient. The department is working on efficiencies to reduce overhead expenses for the services it provides. This year, the department installed a central anti-virus server that automatically updates the network rather than staff's physically going to each machine in the City to perform the updates. The department is in the process of relocating the e-mail server to maintain and improve the current level of service and conducted nine mandatory training sessions on e-mail management. The MIS project is wrapping up, and there has been a significant upgrade to the firewall. IT staff reconfigured the fleet refueling system for efficiency and worked with the police department on creating electronic forms as part of the MDT rollout that will eventually be moved to a document imaging system. Staff is reallocating some server usage and replacing old servers. A lot of work was done in the telephone area to consolidate services to lower the City's costs. Staff continues to work on Internet and Intranet enhancements with all the work being done in-house.

In response to Koonce regarding electronic payments, Gartner said InCode, the integrated software provider, does offer this service, but there are security issues that need to be addressed since the City does not host its own website. She believes these issues will be resolved. There is a cost per account that will need to be taken into consideration, and Gartner will continue to provide information on possible solutions.

She reviewed the budget. Professional services expenses include migrations such as the upcoming move to the Windows XP environment. Repair and

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maintenance costs have increased because the two departments were combined in this budget. Telephone expenses cover all the data circuits and lines. There is a significant increase in education and training due to changes in platforms. She discussed software licensing and maintenance contracts. Facility occupancy charges have increased because the department moved to the vacated dispatch center area at the Public Safety Building.

Aschenbrenner asked if the computer replacement number was realistic.

Gartner said this reserve fund addresses technology needs including departmental computers, printers, and laptops. All of these were factored in for replacement based on an anticipated life cycle. All desktops are replaced at one time so software applications on each is consistent, and employees have the ability to roam and log on to computers in different buildings and areas.

Barnes noted that vehicle replacement had not been budgeted in previous years.

Gartner said this year the department acquired a van to transport the larger equipment between City facilities.

Barnes understood the City procures its computers from the state bid list. She has done research and knows in the long term there is a better solution to computer replacement. There are vendors whose prices are substantially less. She asked if the City were locked into a policy of having to go with the state bid.

Swanson said there is not such a policy. The state bid allows entities to piggyback on a bidding process that has already occurred, but the City could do its own.

Barnes said she actually called and got laptop prices that were \$500 - \$600 less per machine. She would be more than happy to give Gartner all the contact information.

Gartner said she is doing more research on the laptops and noted desktops are competitive on the state bid list. She discussed the variety of laptops available to those working in the field versus those meeting the needs of the office workers. The City looks not only at the state, but also other entities whose contracts would allow piggybacking.

Barnes added several computer companies she contacted were local and means economic development.

Koonce also thought the number was high.

Swanson explained this was for a two-year catch-up, and next year's transfer would be less.

Gartner reiterated that this number is calculated on replacement of desktops, laptops, and printers.

Library Services (180)

Senior Librarian Cynthia Sturgis and **Ledding Library Board Chair Tom Hogan** provided information on the library budget.

Hogan said the last time the library was before the Budget Committee it sought financial support. One of the difficulties the Ledding had last year was the retirement of three full-time staff members which caused a severe deficiency in the efforts to provide the best in library services. The Committee responded to the losses and generously supported the restoration of approximately one full-time position. Further, the hours open to the public were reduced by 9-1/2 hours per week.

Tonight, the Library will provide some pertinent facts and express its view of the important and difficult tasks before the Budget Committee and the City. He discussed the Library in general. The Ledding Library adopted a long-range plan in 2001 to address its role in the growing needs of the community in the next 25 years. The Ledding is committed to personalized service to all patrons:

- Services to children to meet the needs of the next generation.
- Collection development to provide superior quality service to meet the demands and needs of the community.
- Cooperation with other libraries, schools, and agencies.
- Maintain an adequate fiscal plan that allows for technological innovation

The Ledding Library serves the City of Milwaukie as well as being part of a larger Clackamas County Library Network. It also serves various informal roles. It is a gathering place, a dissemination point for community information, an after school spot for students, and a destination that helps with the revitalization of the downtown.

He moved on to the operating budget for fiscal year 2004 – 2005. There are several factors outside the City that have a bearing on the Library's funding. The Ledding is a member of the integrated Clackamas County Library system and receives part of its funding from the County. As a result of Measures 47 and 50, library funding became part of the County's general fund. The Commissioners continued to allocate those funds on a five-year plan that ended in fiscal year 2003. The network and member libraries went through a process with the Commissioners to determine the amount of County support for each of the member libraries. The budget the Ledding Board is working with contains \$597,000 from Clackamas County.

Another factor influencing County funding is a formula in part based on the number of items the library circulates. The \$597,000 is in part based on the 2003 – 2004 circulation that ends January 2004. The reduction of \$22,077 (from this

year's distribution of \$619,077, in this year's budget is a result of a 5.5% reduction in circulation which in turn is a result of the reduction in hours of operation. If funding were reduced, the Library would be forced to reduce the number of hours it is open to the public. The likelihood of reduced circulation further complicates the problem. He wished to stress the problems Clackamas County was having further impacts the network as a whole.

The last factor he discussed was the countywide library levy on the November 2004 ballot. The Commissioners approved the ballot measure because they recognized the importance of its passage, and Hogan anticipated strong advocacy for its passage. The rate was set at a level that would maintain current operations, not expansion. It is a lean but important levy that would take effect fiscal year 2005 – 2006.

The Ledding Board reviewed its operations to determine if there were any cost containment options and revenue generating opportunities. One thought was to create a foundation to pursue fundraising that would allow tax deductible charitable giving. The proposed mission statement, bylaws, and articles of incorporation for this foundation are written and undergoing legal review. The purpose would be involvement in fundraising for both the library facility expansion and maintenance and improvement of library programs and services.

The Board also reviewed and increased the fine structure. Previous fines were \$0.10 per day per item with a maximum of \$1 and \$3 for children's materials. The new structure is \$0.25 per day per item with a maximum of \$3 per item for all materials. Revenues are anticipated to increase \$15,000 by this action. The Board also instituted a money jar at the circulation desk to encourage people to donate loose change. So far \$580 has been collected. The Friends of the Ledding continue to assist in any way it can.

There are important services in these austere budget times the Library has gone without. There is a theft problem but no security system. There is no request for additional FTEs. In addition, the Library has heavy public traffic, custodial care, and repair and maintenance that could be expanded. Nevertheless, the Library comes before the Budget Committee facing a difficult financial situation. The projected budget shows a \$22,000 reduction in County funding. The City funding is \$710,000. At the same time, there are expenditures beyond the Board's control including \$548,368 for general administrative services and facility occupancy. There are other increases in PERS and workers compensation. Overall, the budget shows revenues of \$1,387,400 and expenses of \$1,535,709 for a projected shortfall of \$148,309.

The Library continues to work toward providing the best possible service, but the budget as it stands would hurt the programs and severely impair acceptable library standards.

Sturgis discussed the accomplishments. Computer workstations were updated and replaced, and she was pleased to announce that the Friends of the Library

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paid for the \$18,000 project. A lot of thought has gone into streamlining staffing plans to improve workflow and increase efficiency. Three full-time employees retired in the past year, and now part-time people have been cross-trained and are doing the cataloguing and processing tasks. The acquisitions process for both adult's and children's departments has been automated. The Spanish and Russian language collections for both adults and children were expanded over the past year with grant funds. The Library is working on a facilities expansion plan and cost estimate. Board members have been actively involved with the North Main Project to address Library access concerns.

Next year, Sturgis hopes to continue working with the facility planning committee and setting up a foundation. The Library will continue to evaluate its collections and update various sections and make local genealogical information available on the website. During the past year, staffing was reduced from 15.5 FTE to the present 12.74 FTE, and hours open to the public were reduced by 9-1/2 hours each week. These reductions in staffing came at a time of record breaking public use. Last year circulation passed the half-million mark.

Libraries are more than just checking out books. There are reference services in both the adult and children's departments. Children's librarians also provide reader advisory services on different reading levels with appropriate content for the age level. Last year, reference librarians completed over 36,000 transactions. Programs are an integral part of children's services and require planning and presenting as well as knowledge of the collection and what is appealing and appropriate for the audience. The children's staff presented 217 programs last year to almost 6,000 people. This service has not been reduced this year. The Friends group sponsored 31 programs last year to an audience of over 1,800. These are mostly multi-ethnic music programs. The Library focused on collection development to meet the needs of the community. Volunteers are invaluable in the processing stage, and over 9,600 items were added to the collections last year. There is outreach that includes homebound service. The children's librarians conduct regular programs in conjunction with Clackamas County Headstart for schools and daycare facilities. Services are also provided to homes in which English is not the primary language. She discussed the interlibrary loan service in which the Ledding Library borrowed 62,000 items and loaned out 93,000 items.

There is a core group of 60 volunteers who contributed over 4,500 hours last year. They help shelve, process, and repair materials and assist with programs. These volunteers will be recognized at a brunch on April 17.

All these functions are an integral part of the Library's service to the community. The goal is to stay open as much as possible to provide the service patrons expect. The current staffing level is below adequate state standards for a service area of this size. Adequate staffing would be 15 FTEs for a service area of over 30,000 population. To reduce staff further would reduce hours open to the public. This year a 5.5% circulation reduction is anticipated that reduces County funding by about \$22,000. Further reductions would cut funding even more.

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Barnes commented everyone knows how hard the staff has worked over the past year. This is the only department that has to have a foundation, get volunteers to keep it open and operational, and puts a tip jar at the front desk. This is an embarrassment. She was sad the Library was put in the situation where people have to beg and be happy when \$500 goes into the jar. Each department is equally important, and she believes there would be a lot more screaming if other departments had to rely on a foundation or had to have someone at the front desk asking people for money. She was embarrassed hearing the report, not because what the Library has had to do but because of what it has had to go through to make things right. This is not what we should be doing for our community when so many people go to the Library and so many children benefit from it. She thanked the Board, staff, volunteers and foundation for keeping the library afloat.

Hogan said there is a lot of commitment to providing the highest level of service possible.

Ball noted the facility charge that increased \$25,000.

Swanson said the facilities budget is a lot like administrative services. It is constructed then allocated based on square footage. Some departments requesting special projects are billed directly. He compared the increases in several departments, and they are consistent across departments at 21%. If one looks at facilities management, the critical number is the fund balance. The budget decreased a little over \$200,000 from the current fiscal year to the next. The revenue needed from the departments increased because of the fund balance declined. Departments are assessed in order to balance that budget and what is needed for the year. The new operations building will be charged directly to its users.

Koonce asked what patron response has been to the new fine structure.

Sturgis did not believe the late fees impacted circulation unless it was in a very minor way.

Koonce said there are two types of materials: new releases and catalogue. He suggested the late fees might be higher for new DVDs and books. A later return is often a choice.

Sturgis said it could be divided that way; however, the decision was to make it as simple as possible.

Sandfort said the fees were set in accordance with other libraries in the network.

Schockner asked if other libraries in the system were experiencing reduced circulation.

Sturgis responded that other libraries were not. A couple of libraries, Oregon City and Canby, have cut back hours and have experienced reduced circulation. Three libraries, West Linn, Wilsonville, and Molalla, expanded, and circulation has increased. 15% of the allocation is based on service area and 85% on circulation.

Koonce asked how the library would spend any additional funds.

Sturgis said she would spend it on recouping hours by adding two part-time employees.

Hogan said he would prefer to increase hours to materials.

Koonce discussed the convenience of putting holds on the Internet and going to the library when it is open.

Sandfort added that it takes people to process new material.

Sturgis said the Library is processing as many materials this year as last year despite the fact the book budget was cut primarily because there was a carryover. Donations have also increased.

Public Safety Debt Service (240)

Swanson said this is the annual principal and interest to retire the bonds on the Public Safety Building. This is property tax generated. He noted previous years' fund balances that were available enabling the City to reduce its property tax levy a bit. He provided a copy of the debt service schedule and said the City is on a track that will leave a balance of zero in 2011 when the debt is retired.

Public Comment – None

Additional Budget Committee Comments -- None

Next Meeting: April 7, 2004, 6:00 p.m., City Hall.

Adjourn

It was moved by Barnes seconded by Michel to adjourn the meeting. Motion passed unanimously among the members present.

Chair Aschenbrenner adjourned the meeting at 9:05 p.m.

Pat DuVal, Recorder